

1. Taxable value = Appraised value x (1 – Homestead Exemption) x Tax Rate

2. Effect of HB 658 (“mitigation” bill) on taxable value over six year cycle;
example of residential property increasing in appraised value from \$100
(thousand) to \$250 (thousand):

Year	2008	2009	2010	2011	2012	2013	2014
Market Value	\$100	\$125	\$150	\$175	\$200	\$225	\$250
Homestead Exemption	0.340	0.368	0.395	0.418	0.440	0.455	0.470
Tax Rate	0.0301	0.0293	0.0282	0.0272	0.0263	0.0254	0.0247
Taxable Value	\$1.99	\$2.31	\$2.56	\$2.77	\$2.95	\$3.11	\$3.27

Market value increases by 150% is 6 equal increments. Taxable value increases by 64.7% in 6 equal increments.

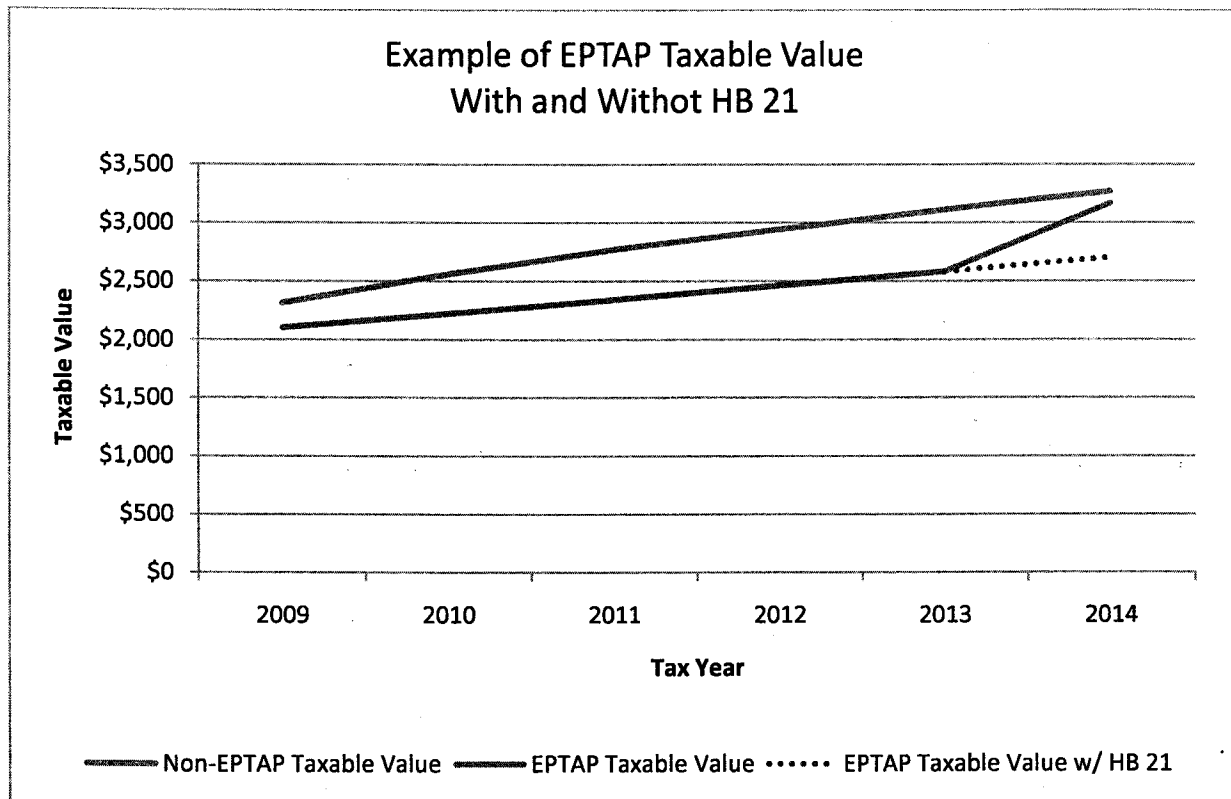
3. If the income of the owner of this property is greater than \$50,000 and less than or equal to \$75,000, property has appreciated by more than 36% and dollar increase in tax liability is \$250 or more, property is eligible for an EPTAP adjustment in the property tax rate, the effect of which is to cap the increase in taxable value at 36%. Calculation of EPTAP adjusted tax rates:

Year	2009	2010	2011	2012	2013	2014
EPTAP Base Rate	0.03320	0.03678	0.04028	0.04399	0.04739	0.05098
Adjustment Factor	0.80	0.67	0.57	0.50	0.44	0.40
EPTAP Adjusted Tax Rate	0.02656	0.02452	0.02302	0.02200	0.02106	0.02039

4. Applying the EPTAP adjusted tax rates to calculate the change in taxable value over the cycle:

Year	2008	2009	2010	2011	2012	2013	2014
Market Value	\$100	\$125	\$150	\$175	\$200	\$225	\$250
Homestead Exemption	0.340	0.368	0.395	0.418	0.440	0.455	0.470
Tax Rate	0.0301	0.0266	0.0245	0.0230	0.0220	0.0211	0.0204
Taxable Value	\$1.99	\$2.10	\$2.23	\$2.34	\$2.46	\$2.58	\$2.70

Market value increases by 150% is 6 equal increments. For any percentage increase in market value, taxable value increases by 36% in 6 equal increments.



The graph shows an example house that has a 2002 reappraisal value of \$100,000 and a 2008 reappraisal value of \$250,000. Assuming that it qualifies for EPTAP under 5(c) 15-6-193, MCA the red line shows the taxable value. The tax rates are calculated so that taxable value increases by 6% each year from 2009 to 2013. Under current law, the increase in taxable value is more than 6% between 2013 and 2014. This is represented by the steeper slope.

HB 21 amends the EPTAP tax rate so that the increase in taxable value between 2013 and 2014 is 6%. The slope of the dotted red line is the same as the previous 5 years.

The fiscal note has a technical note that if HB 21 does not pass then the 2015 revenue estimates need to be increased. The revenue estimates implicitly assume that the EPTAP program functions like the dotted line in TY 2014. If it is not changed, then the general fund revenue would be increased by sum of the differences between the solid line and the dotted line.